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SUBJECT: VOLGOGRAD: INTERESTED IN INCREASED ACADEMIC AND
BUSINESS TIES WITH THE U.S.

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1. (U) Sensitive But Unclassified. Not for internet
distribution. Propriety Information.

2. (SBU) SUMMARY: During Ambassador Burns' November 16-17
trip to Volgograd, government, business and civil society
representatives emphasized their desire to see stronger
academic and business cooperation with the U.S. The
Ambassador met with acting governor Khabanov, exchanged views
with students and business leaders, participated in a
wreath-laying ceremony in honor of the World War II defenders
of Stalingrad, and toured a farm financed through a USG
co-operative program.

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BRING US YOUR BUSINESS

3. (SBU//PR) Acting Volgograd Oblast Governor Oleg Khabanov
briefed the Ambassador on Volgograd's economic potential.
Khabanov said the petro-chemical and agricultural industries
were ripe for foreign investment. Local official would also
like to see greater trade and investment in the
transportation and telecommunications sectors. Khabanov
mentioned that the oblast was in the process of concluding a
contract with Cargill to build an edible-oil extraction
plant, and had just entered negotiations with John Deere.
Khabanov emphasized Volgograd's strategic location as a
transportation hub on the Volga River with rapidly developing
infrastructure and an international airport. The Ambassador
outlined how Volgograd should benefit from Russia's WTO
accession, especially in agriculture, petro-chemicals and
metallurgy. In closing, Khabanov talked about conversations
he had with German officials about establishing a German
consulate in Volgograd and alluded to his desire to see a
greater USG official presence in the area.

4. (SBU) While the governor emphasized big business, local
business leaders told the Ambassador during an open forum at
the USG-funded American Corners that they wanted more contact
with the U.S. for small- and medium-sized enterprises. Many
participants were alumni of USG-supported business exchange
programs and spoke at length of the positive impact of their
time in the U.S. However, they decried the ever diminishing
number of business exchange programs. Two successful
entrepreneurs related how their experiences in the U.S. had

led directly to partnerships with U.S. firms and added that Volgograd businesses were very interested in programs for Russian-American business cooperation on a micro level.

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AND ACADEMIC PROGRAMS TOO

15. (SBU) Students at open forums at both the American Center and at Volgograd State University (VSU) emphasized the need for more contact with their American counterparts. Rector Oleg Inshakov mentioned several programs that VSU had directly established with U.S. universities. Some students stressed how poorly Russians and Americans understood each other's cultures. The Ambassador explained that ordinary American's interest in Russia was increasing after a long post-perestroika decline and attributed this to Russia's return to the world stage as an economic power and recent entry into the WTO.

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A SUCCESSFUL COOPERATIVE

16. (SBU) Gennadiy Nikulin, Chairman of the Volgograd rural credit cooperative "Sodruzhevstvo," led the Ambassador on a tour of a pig farm belonging to one of his co-op members. Nikulin emphasized that the co-op's initial funding, through food aid monetization in 1998, was decisive in the co-op's success -- at that time these USG funds were the lone source of finances available. Sodruzhevstvo currently receives funding through the Rural Credit Cooperative Development Fund (RCCDF), a Russian NGO established in 1997 and jointly funded by USDA and USAID. Since the initial USG financing, RCCDF has secured financing from Switzerland, Netherlands, Germany, and from other contracts with local and federal authorities. Total support now exceeds USD 2.5 billion, and the RCCDF, the

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first co-op of its kind and most successful in the country, is now used as a model by the Ministry of Agriculture.

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COMMENT

17. (SBU) Throughout the visit the city's strong sense of history and pride, as well as the desire to increase cooperation with the U.S. academically and at all levels of business was evident. The successful USG financing of the cooperative pig farm project demonstrates the positive impact that even minimal interaction can exert on Volgograd and its residents. Despite its reputation as the center of Russia's "Red Belt" (pro-communist area), Volgograd's representatives seem genuinely interested in further cooperation with the U.S.

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